

Minutes of meeting of the Sub-Committee of State Level Inter-Institutional Committee (SLIIC) Held on 11th October 2013

A meeting of the Sub-Committee of State Level Inter-Institutional Committee (SLIIC) to discuss the individual cases of sick units of MSMEs, as mandated by the Empowered Committee/ SLIIC, was held on 11th October 2013 at J&K Bank, Corporate Headquarters, Srinagar. The meeting was chaired by the Director, Industries & Commerce (Kashmir), Mr. Mohammad Javid Khan and was attended by all other members of the Sub-Committee of SLIIC including President, A&AP Division, J&K Bank, Circle Head, Punjab National Bank, Regional Manager, SBI, representatives of UCO Bank, SIDCO, J&K SFC, J&K DFC, Industries & Commerce Department, KCCI and FCIK. The list of participants is enclosed as **Annexure-A**.

Since President, J&K Bank (Convenor, J&K SLBC) was out of station, on behalf of the Convenor, J&KSLBC Mr. Gulzar Ahmad, Assistant Vice President (LBD/SLBC) formally welcomed the participants of the meeting and expressed hope that the deliberations on the agenda items shall take place in a meaningful and fruitful manner. Thereafter he requested the Chairman of the meeting to take up the proceedings as per agenda.

Director, Industries & Commerce (Jammu), representatives of Jammu Chamber of Commerce & Industry and Federation of Industries Jammu and J&K State Cooperative Bank did not attend the meeting despite timely invitation.

The Director, Industries & Commerce (Kashmir), Chairman of the meeting, formally welcoming the participants stated that since they are the part of the society and therefore, it was imperative that all the members of the forum work together in a coordinated manner to find out solutions to the problems confronting the society particularly the MSME sector and do not allow the issues to persist for long. Thereafter, the agenda of the meeting was taken up for discussion as under:

Agenda Item No: 01

Individual Sick MSMEs units in J&K State:

(i) M/S Al-kabir Fleshy Food Products, I.E. Khanmoh, Srinagar (SBI, B/O Residency Road, Sgr)

The Chairman stated that the case of M/S Al-kabir Fleshy Food Products initially referred by Reserve Bank of India for being discussed in the meeting of this forum was on the agenda of the forum since long and in terms of the decision taken in the last meeting of the Empowered Committee on MSMEs the second joint inspection of the unit was got conducted by a team comprised of the representatives from the Industries Department, SLBC Convenor Bank, District industries Centre, FCIK, KCCI and State Bank of India, the report whereof had already been submitted by the said team. He advised the Joint Director, Ind. & Commerce to read-out the report of the Joint Inspection for information of the members.

Dr. A. H. Shah, Joint Director, Industries & Commerce, read out the joint inspection report in detail and informed the forum that the Joint Inspection Team was of the view that the unit has tremendous

marketing potential for its products as the line of activity is not only demand driven but also promises variety and diversification for which the availability of working capital is a must. The forced closure of the instant unit will also be a sad reflection on the commitment of SBI to its corporate social responsibility portfolio, which requires an immediate correction. He stated that the Joint Inspection Team has observed that there has been no indication to prove that the unit holder is a willful defaulter, but the promoter of the unit was not found well accustomed with the knowledge of banking business and therefore, his lack of knowledge about banking business has been misutilized by the financier bank. The team has also observed that the financier bank has not taken any measures to help the unit revive, instead the bank has unnecessarily declared the unit as a Non Performing Asset. The Joint Inspection Team has desired that the unit should be provided with adequate financing for its immediate revival.

However, the Regional Manager, State Bank of India, Mr. D. K. Koul reading out the banks remarks, enclosed separately as part of the report, stated that the bank has time and again met the requirement of the captioned borrower by providing temporary facility of WCDL of Rs.2.50 lakhs to meet his liquidity problem and a Term Loan of Rs.1.50 lakhs for purchase of Deep Freezer, but due to mismanagement/poor marketing efforts the unit could not perform well and stopped the transaction in the cash credit account, which prompted the bank to classify it as NPA. He informed the forum that SBI has decided not to consider any kind of rehabilitation by way of giving additional funds to the unit. The promoter should, therefore, come up with a viable proposal for revival of unit, without additional financial support from the Bank or repayment of the banks dues. The Regional Manager, SBI informed the forum that the bank has already filed a suit in the court of law for recovery of the bank's dues from the borrower concerned.

However, representatives of the FCIK and KCCI strongly objected to the bank's remarks and stated that the promoter is not at fault as they have obviously left the unit holder to starve for funds and even the subsidy amount received from the Government has been adjusted towards the EMIs. They demanded that business losses suffered by the unit holder should be got assessed, so that the unit holder is suitably compensated & the unit be rehabilitated by providing adequate finance by the bank.

However, after thorough deliberations on the issue, the Chairman observed that the suit-filing measures would not help the bank to recover its dues from the borrower. He advised the Regional Manager, State Bank of India to revisit their decision and explores the possibility of taking necessary measures immediately for revival / rehabilitate the unit to bring it back on rails.

Action: State Bank of India

(ii) M/S Kashmir Plastic Industries, I. E. Barzulla (SBI B/O Barzullah)

The forum was informed that the issue has been on the agenda of the forum since inception and in the last meeting held on 16.5.2013, SBI was advised to consider the case seriously and come out after a week's time with proper strategy to settle the case. The Chairman had also advised the representative of SBI to provide him necessary feedback in this regard in his office chambers indicating the strategy adopted for settlement of the case. However, SBI in its letter-dated 20.6.2013 conveyed that the Proprietor Shri A.A.Lone, had called again at the Bank for rehabilitation of the unit but the Bank in turn has asked the entrepreneur to submit a fresh project report / financial data for extending the fresh/ credit facility.

The representatives of FCIK and KCCI were of the view that the Proprietor of the unit has paid his liabilities through his own sources and demanded that SBI should take steps to rehabilitate the unit under the bank's Rehabilitation policy.

However, the representative of SBI informed the forum that the loan account of the entrepreneur has been closed by writing-off the outstanding dues and stated that the Bank would be ready to consider a fresh proposal for extending credit facility in case the Proprietors come up with a fresh proposal for extending the fresh credit facility. Besides, keeping in view that the old age (80 years) of the Entrepreneur the representative of SBI suggested that it would be feasible if he approaches the bank for grant of credit facility in the name of some other member of his family for consideration by the bank suitably.

After thorough deliberations it was observed that the issue be dropped from the agenda.

(iii) M/S Global Electronic Industries, Rangreth (Financed by J&K Bank):

The President, J&K Bank, Mr. Nayeem-ullah informed that in terms of the decision taken in the last meeting of the Sub-Committee of SLIIC. The proposed case is under consideration for one-time Settlement with the bank and assured that same shall be disposed off shortly.

The representatives of FCIK stated that the Entrepreneur is in the process of settling the issue but requested the President, J&K Bank that Guarantors of the Unit who are retired persons and are making their both ends meet with the meager pension dues, but they are facing difficulty as their pension dues have been frozen by the bank for recovery of dues from the entrepreneur, which should be released by the bank in their favour.

Responding to this, the President, J&K Bank assured that the issue shall be taken care by the bank.

(Action: J&K Bank)

Agenda Item No: 02

Reconciliation of Sick MSMEs Units in J&K State

The representative of FCIK, expressed his anguish that the people have lost faith in the Govt. Policy and informed that as per the survey conducted by EDI, Ahmedabad, in J&K State more than 87% units under MSMEs are sick. He further stated that in J&K State Crores of rupees are pending with J&K SIDCO for providing soft loans to the MSMEs units, which is not being released and utilized for revival and rehabilitation of the sick industrial units. He also pointed out that meetings of the District Level Rehabilitation Committee are not being convened since long and only the State Level Rehabilitation Committee meetings are held once or twice in a year.

The Chairman stated that pursuant to the decision taken in the last meeting of the Sub-Committee of SLIIC, the list of 175 potentially viable sick MSMEs units identified by the Committee constituted by J&K Government for rehabilitation, has been since circulated by SLBC to the concerned banks for ensuring time bound settlement of the cases pertaining to them. He expressed the hope that the banks must have taken necessary measures for settlement of the said cases.

The President, J&K Bank reiterated the bank's stand to dispose off the rehabilitation cases in a time-bound manner only after submission of a proper proposal by the borrower. He stated that the Bank has already created Committees at all the Zonal Office levels to ensure time bound disposal of rehabilitation proposals of MSEs.

The Chairman again advised all the concerned banks to ensure time-bound resolution of the identified sick MSME cases pertaining to them, so that these cases are settled once for all and Reserve Bank of India is informed accordingly. The representative organizations of Trade & Industry were advised to extend necessary cooperation to the concerned banks in this regard by pursuing the concerned borrowers to approach their respective financing banks for settlement of their cases.

(Action: Concerned Banks/ FCIK/ KCCI)

Agenda Item No: 03

Financing pattern for revival and rehabilitation of sick MSMEs units:

The Chairman stated that in the last meeting of the Sub-Committee of SLIIC held on 3rd August, 2012 it was, among other things, decided that under the revival and rehabilitation package of the sick MSMEs units the ratio of Bank finance, margin money and promoters contribution shall be in the ratio of 70:20:10 and the understanding was that 70% would be the finance provided from banks, 20% would be the margin money component also to be provided by the banks and the remaining 10% would be the contribution from the entrepreneur. Seeking cooperation of the bankers on the decision once taken by the Sub-Committee, the Chairman (Director, Industries & Commerce Kashmir) stated that banks are the main source of finance available to the government. He further stated that if the banks agree to provide 20% component also, interest on that amount would be borne by the Industries & Commerce Department.

In the last meeting of the Sub-Committee of SLIIC held on 16.5.2013, it was decided that all the concerned banks shall take up the issue immediately with their respective higher authorities to decide upon the issue and inform the Industries & Commerce Department (Kashmir) after a week's time, so that further course of action is decided by the Government. In this regard he sought views of the banks:

The President (A&AP), J&K Bank stated that the Bank has provided necessary feedback to the Director, Industries & Commerce (Kashmir) vide letter dated May 27, 2013 as under:

- "The bank will extend finance to the sick MSMEs units in ratio of 80:20, i.e. Bank Finance 80% and borrower contribution 20%. Out of the loan component, interest on 20% of the overall 100% project cost (i.e. 25% of the loan component) will be reimbursed by the Industries Department on monthly basis and interest on 60% of the overall project cost (i.e. remaining 75% of the loan component) will be borne by the borrower and serviced as and when charged in the account.
- A comfort letter with regard to reimbursement of interest on 25% of the loan component may please be provided in each such case.
- However, Bank will have its discretion to decide about the viability of the unit/s and shall rehabilitate the cases as per the Rehabilitation Policy of the Bank on case to case basis."

After a brief deliberation on the issue, the representatives of all other banks were again advised to take up the issue immediately with their respective higher authorities and in the next meeting put forth their

strategies for revival and rehabilitation of the sick MSMEs units in the State, so that further course of action is decided.

(Action: SBI, PNB, UCO Bank, JKSCB, Indian Bank)

Agenda Item No: 04

Other issues deliberated in the meeting:

- (a) **Small Committee comprised of members from Industries Deptt., SFC and FCIK constituted in the last meeting of the Sub-Committee of SLIC to decide upon the issue reg. release of collateral securities held by J&K SFC in respect of MSMEs units who had gone for OTS, and issuance of NOCs.**

The issue could not be discussed in the meeting and was deferred to the next meeting.

- (b) **Huge gap between cases sponsored to banks, cases sanctioned and cases disbursed by banks**

Chairman of the meeting expressed concern over the huge gap between industrial/ MSME cases sponsored by the Government agencies to the banks for grant of credit facilities, the cases sanctioned / cases disbursed by the banks and desired that the controlling heads of the banks should suitably sensitize their branch functionaries in this regard to ensure that the said gap is minimized.

Representatives of the banks present in the meeting assured to take necessary measures to sensitize the field functionaries of banks for expeditious disposal of the cases.

(Action: All member banks of J&K SLBC)

As regards reconciliation of the sponsored cases, it was observed in the meeting that the same is being taken care in the district level review meetings regularly, for which SLBC has been passing on necessary instructions to the LDMs as well as concerned sponsoring agencies from time to time.

- (c) **Role of District Industries Centres:**

During deliberation, the President (A&AP), J&K Bank, Mr. Nayeem-ullah, seeking clarifications on the role of DICs in sponsorship of cases to banks, enquired whether it is imperative for the borrowers to route their cases through the DICs before approaching the banks for extending credit facilities, as the J&K Bank has been entertaining cases directly also without the intervention of the DICs. However, members were of the opinion that approaching DICs for sponsoring cases is not imperative and that the banks can take up the cases directly also considering the viability of the units.

The meeting ended with a vote of thanks to the Chair.

Assistant Vice President
Lead Bank/ J&K SLBC

Annexure-A

**List of participants of the first meeting of the
Sub-Committee of SLIC held on 4th October, 2013**

<u>S. No.</u>	<u>Name of the participant</u> ...	<u>Designation / Organization</u>
<u>Chairman</u>		
1.	Mr. Mohammad Javid Khan ...	Director, Industries & Commerce (Kashmir)
<u>Banks</u>		
2.	Mr. Nayeem-ullah ...	President (A&AP), J&K Bank
3.	Mr. Latif Ahmad Mir ...	Circle Head, Punjab National Bank, Srinagar
4.	Mr. D. K.Koul ...	Regional Manager State Bank of India, Sgr.
5.	Mr. B. K. Pandita ...	Manager, UCO Bank, Srinagar
<u>Convenor, SLBC</u>		
6.	Mr. Gulzar Ahmad ...	Asstt. Vice President (LBD/SLBC), J&K Bank
7.	Mr. Riyaz Ahmad Bhat ...	Associate Executive (Secretarial Service)
<u>Industries & Commerce Deptt.</u>		
8.	Dr. A. H. Shah ...	Joint Director
<u>SIDCO</u>		
9.	Mr. Mushtaq Ahmad Mir ...	Sr. Manager
<u>J&K State Financial Corporation</u>		
10.	Mr. Showkat Ahmad ...	CM (PFS)
<u>J&K Development Finance Corporation</u>		
11.	Mr. Mohammad Iftikhar Hussain ...	DGM
<u>Representative Bodies of Trade & Industries</u>		
12.	Mr. Afaq Qadiri ...	Senior Vice President (FCIK)
13.	Mr. Mushtaq Ahmad Wani ...	Secretary General (KCC&I)

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